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 RUEHSG/AMEMBASSY SANTIAGO 8256
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E.O. 12356: DECL: OADR
 TAGS: PREL, OVIP, EFIN, PE
 SUBJECT: KENNEDY SPEAKS TO PERU ON DEBT, DEMOCRACY

1. (C) SUMMARY: U.S. SENATOR EDWARD KENNEDY SPOKE TO APPROXIMATELY 500 DISTINGUISHED GUESTS AT FORUM SPONSORED BY PERUVIAN THINK TANK, ADDRESSING DEMOCRACY IN LATIN AMERICA AND COOPERATIVE APPROACH TO INDEBTEDNESS. HE LISTED SEVEN GUIDING PRINCIPLES FOR DEALING WITH DEBT CRISIS: PROMOTE GROWTH; INCREASE EFFICIENCY OF DEBTOR ECONOMIES; COOPERATE RATHER THAN PROVOKE CONFRONTATION BETWEEN NORTH AND SOUTH; DEAL WITH PROBLEM AS POLITICAL ISSUE; GIVE DEVELOPING COUNTRIES FLEXIBLE AND FAIR TERMS; LOWER INDUSTRIALIZED COUNTRIES' INTEREST RATES WHILE PROVIDING NEW DEVELOPMENT CAPITAL; AND REDUCE PROTECTIONIST BARRIERS IN NORTH WHILE PROMOTING TRADE WITH SOUTH. KENNEDY LAUDED GARCIA REPEATEDLY IN SPEECH, BUT FELL SHORT OF EMBRACING PERUVIAN PRESIDENT'S POSITION ON DEBT. END SUMMARY.

2. (U) FINISHING TOUR THROUGH LATIN AMERICA, U.S. SENATOR EDWARD KENNEDY GAVE SPEECH ON SPREAD OF DEMOCRACY AND COOPERATIVE APPROACH TO THIRD WORLD INDEBTEDNESS TO DISTINGUISHED AUDIENCE OF APPROXIMATELY 500 GUESTS INVITED BY PERUVIAN INSTITUTE FOR INTERNATIONAL STUDIES (CEPEI) IN LIMA. WELCOMING RETURN TO DEMOCRACY WHICH SEVERAL LATIN AMERICAN COUNTRIES HAVE WITNESSED, AND EXPRESSING HOPE FOR SAME IN CHILE, KENNEDY NOTED THAT ENJOYMENT OF DEMOCRATIC AND INDIVIDUAL LIBERTY PROVIDES COMMON TIE AMONG PEOPLES OF U.S. AND SOUTH AMERICA. CALLING THE ECONOMIC CRISIS FACING CONTINENT CAUSE AND EFFECT OF HIGH INDEBTEDNESS, HE LABELLED DEBT AS "DARK CLOUD" ON HORIZON OF DEMOCRACY'S SPREAD. EMPHASIZING ECONOMIC GROWTH AND POLITICAL COOPERATION AS KEYS TO HANDLING DEBT CRISIS, HE LISTED FOLLOWING SEVEN GUIDING PRINCIPLES: ORIENT POLICIES TOWARD ECONOMIC GROWTH RATHER THAN TOWARD SEVERE AUSTERITY; WORK TO MAKE THE ECONOMIES OF DEVELOPING COUNTRIES MORE EFFICIENT,

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FREE FROM DEPENDENCE ON PROTECTIONIST IMPORT RESTRICTIONS; FOSTER COOPERATION BETWEEN NORTH AND SOUTH IN EFFORT TO ATTACK PROBLEM AS PARTNERS; RECOGNIZE PROBLEM AS REQUIRING HIGH-LEVEL POLITICAL RESPONSE INSTEAD OF TECHNICAL ECONOMIC FIXES; DEAL WITH DEBTOR COUNTRIES ON CASE-BY-CASE BASIS, STRUCTURING TERMS FAIRLY AND FLEXIBLY TO TAKE INTO ACCOUNT EACH NATION'S PARTICULAR CIRCUMSTANCES; PROVIDE MORE RESOURCES FOR DEVELOPMENT BY OPENING UP NEW SOURCES OF CAPITAL AND LOWERING INTEREST RATES IN INDUSTRIALIZED COUNTRIES, WHICH SIPHON OFF INVESTMENT NEEDED IN THE THIRD WORLD; AND, OPEN UP NORTHERN MARKETS SO AS TO INCREASE DEVELOPING COUNTRIES' EARNINGS POTENTIAL THROUGH REDUCTION OF PROTECTIONIST BARRIERS AND OTHER MEASURES. KENNEDY PROPOSED THAT CARTEGENA GROUP COUNTRIES ASK GOVERNMENTS OF NORTH AMERICA, EUROPE AND JAPAN TO MEET WITH THEM SO NORTH AND SOUTH COULD ADDRESS PROBLEM JOINTLY, USING MONTEVIDEO DECLARATION AS BASIS FOR DISCUSSION.

3. (U) KENNEDY REPEATEDLY PRAISED GARCIA IN SPEECH. HE NOTED GARCIA "INSPIRES HOPE AND PRIDE IN ALL THE PEOPLE OF PERU" AND HIS INAUGURATION SYMBOLIZES PERUVIANS' FREEDOM FROM "REPRESSIVE FORCES FACED BY NATIONS OF THIS HEMISPHERE." KENNEDY LAUDED GARCIA'S "COMMITMENT TO ALL PERUVIANS" AND STATED HE SHARED GARCIA'S GOALS OF DEMOCRACY AND FREEDOM FOR THE HEMISPHERE.

4. (C) COMMENT. KENNEDY'S INVOCATION OF MEMORY OF ALLIANCE FOR PROGRESS WARMED MANY PERUVIAN HEARTS, BUT HIS ANALYSIS OF DEBT ISSUE FELL FAR SHORT OF THE FEISTY DISREGARD FOR INTERNATIONAL MONETARY SYSTEM WHICH HAS CHARACTERIZED GARCIA'S POSITION. NONETHELESS, PERUVIAN PRESIDENT WAS APPARENTLY PLEASED BY SPEECH. IN HIS TOAST AT DINNER IN KENNEDY'S HONOR LATER SAME DAY, HE MADE SPECIFIC POSITIVE REFERENCE TO THOSE POINTS SENATOR HAD SET FORTH WHICH IMPLIED SUPPORT FOR PERUVIAN POSITION, WHILE IGNORING THE OTHERS. JORDAN
END OF MESSAGE

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